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ABSTRACT

An investigation concerning management of faculty at a major research university during 1977-78 was designed to identify and measure costs associated with federal affirmative action or equal employment opportunity guidelines and to analyze the financial impact of the guidelines on the institution. A cost-generating procedure was developed to identify direct and indirect costs, and a collection process was designed to provide primary source data with opportunities for verification at several levels of the organizational structure. Elements of direct and indirect costs included personnel, operating expenses, and capital outlay replacement value. The major compliance costs were associated with selection processes and accounted for approximately 98 percent of the total amount expended at this level and 93 percent of the university total. Direct and indirect expenditures attributed to compliance costs as applied to the management of teaching faculty were approximately one-half million dollars. While this figure represents less than one percent of the university budget, its magnitude is of sufficient size to warrant concern. Suggestions concerning the utility of such data and the need for additional parallel efforts at other institutions are offered. Emphasis is placed upon discussing the need to influence the federal process and the utility of compliance cost data within an institution. (SW)

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A Study of the Costs of Compliance
with Federal Social Legislation

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THE ASSOCIATION FOR INSTITUTIONAL RESEARCH

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Mary Corcoran
University of Minnesota
(Editor, AIR Forum Publications)

A Study of the Costs of Compliance
with Federal Social Legislation

(Abstract)

This study provides insights into the compliance costs associated with federal Affirmative Action/Equal Employment Opportunity guidelines as applied to the management of faculty at a major research university during one fiscal year. The analysis confirmed that such costs were very real and were of sufficient magnitude to warrant concern in this era of fiscal distress.

Based upon the results of the study, suggestions were made as to the utility of such data and the need for additional parallel efforts at other institutions across the nation. Emphasis was placed upon discussing the need to influence the federal process and the utility of compliance cost data within an institution.

Current literature is rich in its forecast of fiscal distress in higher education. Many prominent researchers have studied this very real "depression" (Bowen, 1978, Cheit, 1977; Corson, 1975; Saunders, 1975). Numerous theories have been advanced to explain the continual increases in expenditures for higher education in the face of steady or declining enrollments. National, regional, and state organizations and even individual institutions have undertaken the awesome task of identifying factors which can assist with the equally overwhelming task of bringing expenditures under control through improved financial planning and budgeting. Certainly it is a complex assignment with a multitude of interrelated parts.

The focus of this study is upon one of those parts. Bowen (1978) has indicated that many of the increased costs incurred by higher education are due to the mandatory absorption of compliance costs masked under the rubric of federal social programs. Both Bowen (1978) and Van Alstyne and Coldren (1976) related that the lack of a relevant data base caused estimates of compliance costs to be no more than guesses and vague probabilities. So while many complained of inordinate compliance costs, no quantitative data existed to support or refute these proclamations. This study sought to provide such quantitative data.

The purpose of this study was to, first, identify and measure compliance costs and, second, analyze their impact upon an institution. In keeping with the recommendations of the American Council on Education (Van Alstyne and Coldren, 1976) and the Southern Association of Colleges and Schools (1976), costs of a limited number of federal social programs at a single institution were identified and analyzed. Utilizing a cost-generating procedure developed for the purpose of identifying direct and indirect costs, this study focused upon compliance with federal Affirmative Action/Equal Employment

Opportunity regulations at a major research university. The focus was further isolated to activity associated with the management of faculty during the 1977-78 fiscal year.

The Case for Analyzing Compliance Costs

A paradoxical relationship developed between the federal government and higher education in the second half of the 1970s. The federal government was a significant funding source for higher education and at the same time, its regulations were accused of placing excessively burdensome costs upon higher education. This occurred while the country experienced a loss of faith in government and governmental programs at all levels. An expression of that loss was seen through a reduction in relative dollars appropriated in support of higher education. Concurrently, institutions of higher education experienced rapid and unprecedented increases in both students and expenditures. These events, combined with the proliferation of federally mandated social programs, led to a "depression" in higher education (Cheit, 1971; Jenny 1975; Jellema, 1972). Price inflation was felt in every sector of the American economy, but institutional costs increased during the last decade more rapidly than the general price index (Bowen, 1978).

By 1975-76 the total expenditures for higher education reached \$41.9 billion, reflecting a nineteen fold increase over 1946-50. Most of the growth in expenditures was the product of a growth in enrollments and academic programs coupled with price inflation. When adjustments were made for the effect of enrollment and price increases, there still remained an average increase per student of 2.5 percent a year from 1949-50 to 1975-76. Although the rate of growth since 1976 was slower, it still remained substantial. Bowen (1978), Van Alstyne and Coldren (1976), and officials at the Southern Association of

Colleges and Schools (1976) speculated that a significant portion of the unexplained increase was caused by the absorption of compliance costs.

By 1976, higher education in America was highly dependent upon the federal government for financial support and the federal government became the "largest single source of support for America's colleges and universities"; (Brubacher and Rudy, 1976). This support came in the form of student financial aid, veteran's educational benefits, construction and library grants and loans, professional development funds, and research and services contracts and grants (Van Alstyne and Coldren, 1976; Bowen, 1978). Each of these programs had as a condition of the receipt of federal funding institutional compliance with federal social legislation.

Numerous economic theories were offered to account for the modern trend of expenditures in higher education to increase more rapidly than revenues. Some theories proposed that higher education had undertaken activities and had assumed responsibilities outside the primary educational function, and that sophistication in grantsmanship had funded these financially inefficient endeavors. Another theory held that education, because of its labor intensive nature, was inherently less cost efficient than most product-oriented industry and that greater productivity in education was more difficult. Societal demands for increased monetary compensation and the costs of innovations required for improved instruction, research, and public service were outside the control of the higher education system and compounded financial problems (Bowen, 1978). A more recent theory suggested that the "depression" facing academia was in part due to higher education absorbing compliance costs associated with federally mandated social programs (Bowen, 1978; Van Alstyne and Coldren, 1976; Southern Association of Colleges and Schools, 1976; Cheit, 1973; Corson, 1975; Saunders, 1975; Brewster, 1975).

Federal regulations affecting higher education were not recent phenomena, having existed since 1787, but their proliferation during the past ten years and their sanctions for non-compliance had compounded their financial impact. Federally mandated social legislation was promulgated in at least fifteen areas of social concern: fair labor standards, social security, unemployment compensation, health benefits, pension benefits, wage and salary controls, occupational health and safety, environmental protection, equal pay, equal employment opportunity, affirmative action, age discrimination, sex discrimination, race discrimination, and handicap discrimination.

The pre-1972 Affirmative Action/Equal Employment Opportunity (AA/EEO) legislation was directed at private sector business and applied to the higher education system only insofar as it was an employer. Beginning in 1972 with the passage of the Educational Amendments to the Civil Rights Act of 1964, the entire realm of activities associated with the processes of education was included under the regulations of the social legislation (Young, 1977).

Higher education institutions voluntarily assumed many activities to diminish objectionable practices and to promote socially beneficial programs and standards. Other programs and activities were mandated by federal regulation. Nearly all compliance efforts whether undertaken voluntarily or under legal authority necessitated policy changes, innovations, renovations, revised and additional record keeping, reporting, new staff and additional effort from existing staff, and additional space, equipment and supplies.

There are assertions in the literature that these federally mandated actions imposed heavy costs for substantive compliance and also for the generation of numerous reports. In addition, researchers contended that expenditures for compliance efforts accounted for a substantial amount of the increase in higher education costs after adjustment for increases from

inflation and enrollment (Bowen, 1978; Southern Association of Colleges and Schools, 1976; Van Alstyne and Coldren, 1976; Corson, 1975; Saunders, 1975; Brewster, 1975). To complicate the social and financial dilemma further, no provisions for federal funds were included in the legislation to assist higher education in its compliance efforts.

Higher education, already in a depression, had to assume responsibility for programs outside the academic realm that increased costs, reduced productivity and affected the financial priorities of the system. Failure to assume this responsibility carried the possibility of losing federal funding -- by 1978 (and true today) this was a step few institutions of higher education could afford to take (Bowen, 1978). Most institutions, whether receiving federal support or not, actively endorsed the intent of the regulations.

Beginning in 1964 the requirements of the regulations promulgated by the President, the Congress, and by federal agencies grew increasingly demanding and costly, until scattered but adamant complaints of the compliance costs surfaced in the literature in late 1975 and early 1976. By late 1976 the episodes of voiced discontent reached such a crescendo that on December 15, 1976, the College Delegate Assembly of the Commission on Colleges of the Southern Association of Colleges and Schools formulated and submitted a Resolution to "the President of the United States, Members of Congress and other appropriate Federal Officials" (Southern Association of Colleges and Schools, 1976).

The study leading to the issuance of the Resolution and conducted by the Southern Association began as an attempt to quantitatively measure the actual costs of compliance efforts for its 711 member and candidate institutions. Although the membership agreed the costs had become a burden, no member actually knew the true dollar cost. No exhaustive assessment had been conducted.

According to Dr. Earl Helgeson (1979), Assistant Executive Secretary to the Association, the predicted expense of the cost analysis became prohibitive. The proposed study underwent reorganization and what emerged was not a cost analysis as originally planned but a survey of the opinions of the Presidents of member and candidate institutions as to

. . . the extent to which the Federal Government has injected itself into the operations of your institution via compliance regulations We would ask of you that you estimate your current annual total cost in time, money, and efforts of compliance with the above and all other Federal regulations or requirements (Southern Association of Colleges and Schools, 1976, pp. 1-2).

Van Alstyne and Coldren, policy analysts with the American Council on Education (ACE), conducted a compliance cost analysis at six higher education institutions. This study was more rigorous than the study conducted by the Southern Association in its efforts to quantitatively measure compliance costs. Although aggregates of actual, estimated, and speculated costs of time, equipment and supplies, space, salaries and benefits, and other relevant expenditures were included, the results of the study gave credence to the problem of compliance costs. Excerpts from the ten conclusions of the ACE study emphasize the problem:

In the 1974-75 academic year, the combined cost of implementing the federally mandated social programs at the six institutions was \$9-10 million; the cost to the individual institutions represented between 1 percent and 4 percent of their operating budgets.

These costs, though small in comparison with total institutional operating budgets, are large compared with institutional funds for student aid, with income from the endowment and gifts, with the operating deficits suffered by some institutions in recent years, and with the budgets of some academic departments that face extinction because of shifts in institutional budget priorities.

. . . the federal mandated social programs have contributed substantially to the instability of costs at colleges and universities from year to year and thus compounded the difficulties of financial management and budget balancing.

The results of this study suggest that implementing federal policies with respect to social justice, manpower, science, defense, and taxation has a far greater financial impact on higher education than does any explicit and coherent federal policy in support of higher education. Some of the effects flowing from policies in areas of national interest outside education are intended, some are unintended, and some are scarcely recognized. (Van Alstyne and Coldren, 1976, pp. 14-15)

Van Alstyne and Coldren had circulated written questionnaires and instructions to the six institutions in their attempt to ascertain compliance costs. Because of the various interpretations of the instructions, varied institutional accounting systems, and numerous omissions of data information, the final results were a compilation of actual, estimated, and speculated costs. They concluded that the results were important to highlight the

problems but were not highly reliable as true estimates of the costs. A more controlled data collection methodology was needed to assure uniformity and reliability (Van Alstyne and Coldren, 1976).

In summary, then, accusations have abounded regarding the inherent costs to higher education of compliance with federal social legislation. Two major efforts were undertaken to assess these costs at institutions of higher education. In both studies, major problems were identified with the collection process and reliability of data in multi-institution settings. The need for individual institutions to improve upon and help identify a common collection process and to assess the impact of compliance with federal social legislation upon their own budgets was cited as a very real research problem in higher education today. As a result, this study was undertaken.

Methodology

The task of collecting accurate data in support of a study of compliance costs was not a simple one as attested by the Van Alstyne and Coldren (1976) and Southern Association (1976) studies. Based upon the results of these prior studies and upon the decentralized record keeping at the university under study, two main tasks were undertaken. First, an identification process was followed through which all pertinent elements of direct and indirect cost associated with managing faculty were defined. Second, a collection process was designed to provide primary source data with opportunities for verification at several levels of the organizational structure.

In general terms, the elements of direct and indirect cost deemed pertinent to the study were: personnel, operating expenses, and capital outlay replacement value. In the personnel category, direct costs covered

staff whose sole occupational duty was Affirmative Action/Equal Employment Opportunity (AA/EEO); indirect costs included central and academic administrators as well as faculty and administrators involved in compliance related activities but whose primary functions were non AA/EEO. Information on faculty time was gathered utilizing the procedures reported in the Faculty Activity Analysis: Procedures Manual (NCHS, 1973). Faculty estimates of time were collected at the end of the research period and were checked with others involved in compliance activity to improve reliability.

Direct operating expenses included advertising, duplicating and printing office supplies, postage, telephone, travel and related expenses. Indirect costs were equipment, furniture and furnishings, insurance and utilities, and personnel development. Information obtained from interviews on operating expenses was checked against university payroll, budget and requisition records.

There were no direct capital outlay replacement costs for new buildings or office space. However, existing office space had to absorb greater utility for AA/EEO activities. If this space was used to house the AA/EEO office, it was classified as direct. If it were used incidentally by faculty members whose primary duties were not AA/EEO, it was classified as indirect. Indirect capital outlay replacement value was calculated by a formula for a portion or percentage of the value of each square foot assigned to compliance costs. The proportion or percentage was assumed to be the same percentage as the occupant's time in compliance efforts.

The interview process referred to earlier was the means of collecting primary source data. A hierarchical approach was utilized whereby each college dean was interviewed following a prescribed format. There were two

major anticipated results from each of these interviews: raw college-wide data were captured and departments which underwent procedures to fill faculty positions were identified.

The 20 departments thus located were balanced by a random sample of 25 departments to ensure that reported AA/EEO activities were not biased by selective sampling. Department heads were then interviewed, along with faculty members and clerical staff who participated in or had knowledge of affirmative efforts. A total of 171 persons encompassing 45 academic departments in eight colleges were interviewed. After the completion of each interview, official college and departmental files were consulted to validate actual expenditures and selection activities.

Results

The direct and indirect costs of complying with federal Affirmative Action/Equal Employment Opportunity (AA/EEO) requirements at one major university in 1977-78 are presented on Table 1. These data are reported separately in terms of central administration and college activities.

Compliance activities in the central administration were related to reporting, policy making, and legal issues. All three types of tasks were highly labor intensive. A thorough time and activity analysis for each central administration staff member involved was conducted. Additional document and record investigations generated the costs for operating expenses and for space utilization. Such costs accounted for 7 percent (\$36,115) of the total compliance costs generated by the University. Since the personnel in central administration were engaged in administrative tasks indirectly associated with faculty selection processes, the costs they generated were considered fixed.

At the college level, recruitment and selection processes and reporting were the focal points of compliance efforts. College compliance costs accounted for 93 percent of the total generated by the University. The value of personnel time was by far the most expensive category of cost and accounted for 93 percent of the college level costs and 91.6 percent of the total compliance costs incurred by the University.

There were 197 instructional faculty appointed in the eight colleges during 1977-78. A sample of these selection processes were investigated and the personnel commitment analyzed. Using 1977-78 payroll records, the value of the personnel time was calculated. The average cost per selection associated with personnel time in the eight colleges was \$2,168.

In addition to the costs associated with the expenditures of human resources, there were costs for operating supplies and services and for the utilization of facilities. With these costs included, the average cost for a search and selection process was \$2,342. The range of costs per selection was from \$26 to \$3,564. This range was heavily influenced by (1) whether or not the advertisement was a paid commercial vacancy announcement or a free professional service; (2) the number of faculty on the search and screening committee; (3) the number of applicants to review; and (4) the number of instructional faculty vacancies.

Where central administration costs had been considered fixed, compliance costs in the academic units were highly variable. Not only was there variation in costs among colleges, but because the costs were highly dependent on the four conditions previously stated, it followed that such costs would be highly variable among years. (This fact could put stress on institutional budget planners to adequately and accurately project fiscal needs.)

While selection processes dominated the compliance activities at the college level, there were other costs incurred. These included complying with occasional requests for information, one-time reports, and the annual audit by the institutional Equal Opportunity Office. The audit was a meeting of representatives from that office and the college administration. The purpose of the audit was to review the progress of the college in satisfying goals and timetables established the previous year. In comparison to costs already discussed, costs for these miscellaneous tasks were minute (less than .1 percent of total compliance costs) and were not broken out for separate display.

In summary, the major compliance costs at the college level were associated with selection processes and accounted for approximately 98 percent of the total amount expended at this level and 93 percent of the University total. These costs were generated by conducting activity analyses and then assessing the value of personnel time, operating supplies and services, and space utilized in the compliance related portion of each activity. Only the added costs specifically related to compliance were included. The university expended \$497,540 in complying with federal AA/EEO guidelines as they were applied to the management of instructional faculty. This included \$455,945 for personnel time and compliance related salary adjustments; \$35,790 for operating supplies and services used in support of these activities; and \$2,690 for the annual replacement value of the capital utilized. This total represented .91 percent of the institution's 1977-78 instructional budget.

Discussion

This study has served to reinforce the many proclamations of absorbed costs inherent to federal social legislation. For the university studied,

compliance costs existed. While statistical significance was not found (nor was it sought), the costs of compliance with federal Affirmative Action/Equal Employment Opportunity (AA/EEO) requirements during one year at one university were of sufficient magnitude to warrant concern. The utility of the results of this study was felt to lie in two broad applications: in federal legislative processes and in institutional planning and budgeting.

Influencing the Federal Process

Enabling legislation for federal social programs begins with the United States Congress; therefore, measures to control the financial impact of such legislation must begin there. Currently, new legislation must include statements designed to provide Congressional representatives with essential cost impact data. There are three important problems with this provision, however. First, there is no requirement for producing impact data on social legislation passed previous to the impact statement mandate. Second, no nation-wide source of compliance cost data exists to provide valid decision-making information. Third, there have been no attempts to analyze or control the costs associated with regulatory agency implementation of legislation.

Numerous isolated and independent studies have been conducted by colleges and universities, primary centers of compliance activity; but because each used different methodologies, the respective results cannot be considered a representative sample and a valid national cost estimate. To remedy these difficulties, universities must adopt a common methodology and conduct cost analyses to generate the information needed for Congress to seriously consider the financial consequences of past social legislation upon higher education. Further, similar studies must be conducted on the possible impact of future social legislation.

Perhaps the most optimistic outlook for higher education is to attempt to influence the legislative process by presenting well documented evidence of fiscal impact. Emphasis upon social programs in the last decade and a half has been reflective of ever-changing national priorities upon major services and programs legislated by the federal government. Thus, even major fiscal impacts may be overshadowed by significant social concerns. The main objective in this arena should be to more accurately represent the costs of social and other legislation so that legislators might be fully aware of the impacts of their actions. As an example, if the Congress had been aware of the magnitude of the costs of complying with federal AA/EEO legislation at the time it was debating, there could be little doubt that the regulations would be the same. Most certainly the principles espoused by these programs are reflective of the true spirit and ideals of America. Leaders in the field of higher education have been among the first to fully support these principles. Doubts might arise, however, with respect to how the costs associated with these social programs might best be shared.

If one were to add the direct costs associated with the Social Security Act of 1935 and the Employment Security Amendments of 1970, the Occupational Safety and Health Act of 1970 and other federal social programs to the half million dollars of AA/EEO costs at this one university, the cost of compliance associated strictly with federal social programs would represent a significant impact upon the institutional budget (approximately 5 percent). Multiply this one research university by the hundreds of other institutions in the country and the impact nationally would be in the hundreds of dollars. In a time of fiscal hardship it is unrealistic, and perhaps even unfair, to levy this added financial burden upon our already buckling walls. Of course, the question will arise: then who should pay?; and no offer of an

euphorian solution can be made. The suggestion is merely that the process be improved and that a more comprehensive review of the costs be made prior to legislating such programs.

Federal social legislation tends to have a snowballing effect; that is, it usually leads to additional federal agency, state, and local regulations and guidelines. This study has served as a means of pointing out the magnitude of costs associated only with the federal programs. Even greater costs are incurred when state and local options are included. All of these costs should be anticipated and estimated on the front end. If, however, legislation has occurred without proper preassessment of costs, studies like this one should be performed, identifying real costs and using the data to seek a more rational approach to sharing the costs.

The prospect of Congressional action based on valid national compliance cost data is probably remote, but even so, if institutional studies were to start today, final information would not reach legislators for at least two years and beneficial actions could take years after that. Institutions can generate compliance costs internally, however, and incorporate the results into budget planning within a year.

Institutional Application

While the thought of influencing the federal processes to provide financial relief for social program participation may be somewhat improbable, institutions can take actions to accommodate and control these costs internally. This study has revealed two important facts which can help improve planning and budgeting for the university: there are specific costs associated with compliance and these costs vary considerably within the university community.

The fact that there are identifiable costs associated with compliance can be constructively utilized by planners and budgeters. Under current fiscal

constraints, it is important that all forms of cost be identified and controlled. The concept of fixed and variable costing, while not a new approach to budgeting, certainly lends itself to this environment. By isolating the costs of compliance associated with faculty recruitment, for example, and anticipating inflation and turnover in positions for each year, controls can be implemented so that departmental operating budgets either are not depleted or include appropriate accommodations for these compliance costs.

Based upon current procedures at the university under study, departmental operating budgets move forward from year to year in an incremental mode. That is, the base operating budget for this year is normally incremented to provide some inflationary relief, a process followed last year and the year before that. One must assume that, within this framework, compliance costs are borne by those departments which either replace existing faculty or add new positions. Depending upon the fluidity of its faculty then, a department can find itself either fiscally backed against a wall or with a substantial windfall. In years when abnormally high numbers of faculty are recruited, the departmental operating budget may be overly constrained and such necessities as staff development and routine equipment modernization may have to be held in abeyance. In contrast, years of stability (i.e., limited recruitment) may bring with them opportunities for added travel and conference participation and the purchase of the most advanced equipment.

If one could anticipate a relatively dependable cycle for each department, this "on a year, off a year" syndrome might be tolerable. Unfortunately, one cannot depend upon the cycle; neither can one control it. Departmental attempts at control may be helpful, but are largely viewed as counter-productive. Such cost saving steps as using more adjuncts and lecturers or absorbing workloads

with current faculty merely tend to begin a process of deterioration in the quality of programs and services. Quality is an ideal to which all programs and services must adhere, for it is frequently among the first characteristics discarded by an institution facing a financial blight. Therefore, the university should place a high priority upon efforts to stabilize or improve the quality of its programs and services. One step which can be undertaken is the isolation of costs which could impact upon that quality. Such is the case with compliance costs.

This study has demonstrated that there are very real costs associated with compliance activities. It is, therefore, suggested that this knowledge be used budgetarily to relieve departments of that unreliable variable in its annual operations. Within the university studied, an estimation of these costs could easily be entered into the internal operating budget and funds could be controlled and distributed from a central "pot" as costs occurred. This type of approach could not only help bring some stability to departmental planning, but it could also provide the university with the mechanics to contend with the second major fact identified by this study; the fact that those costs vary considerably among the university community.

In this context, an added outcome of the study was the accumulation of a wealth of information about the processes followed by different departments and colleges in their efforts to comply with federal AA/EEO guidelines. Extremes from the use of department and college-wide search committees to single source determinations were found to exist. For example, in one college, complete packages of application letter and form, vita, letters of recommendation and all other related information were copied for every member of screening and search committees and other involved officials. In other colleges, one package was available in a central location where committee members

could come and review individually or collectively. Many other variations in approaches were found to contribute to wide variations in costs.

A subtle and difficult question arises from the information gathered through the activity analyses conducted with faculty regarding their respective time commitments to compliance obligations. The survey of a sample of faculty produced an average commitment per individual of 120 hours. These hours when multiplied by the number of faculty identified and then the product reduced to equivalent full-time positions results in 8 full-time faculty being utilized for compliance. Even without this reduction, each faculty involved engaged in compliance 3 out of an average of 36 weeks, or 8% of each individual's time. This raises the question of the impact this amount of faculty involvement will have on the quality of faculty performance and on the number of additional faculty positions generated to accomodate these added responsibilities. Have institutions gradually added faculty positions without realizing the motivation was compliance? Has the quality of faculty time usage been eroded because of social program committee work? Obviously, these questions cannot be satisfied with the current research data, but these and related questions regarding financial impact must be addressed, for their answers will impact upon the quality of education in general and on the priorities of faculty specifically.

Before specific recommendations for internalizing these data can be made, however, one must consider the management style and organizational structure of the institution. In a highly centralized structure utilizing an authoritarian style, one might recommend and gain approval for a totally standardized process. In such a setting one might set aside a fund based upon so many dollars per position and treat each position in some uniform manner, be it

for an Assistant Professor of History or an Associate Professor of Nuclear Engineering. Certainly, within some frameworks, this uniform approach could be appealing.

Rather than a centralized approach, the university under study follows a highly decentralized management style whereby colleges are viewed as relatively autonomous entities subject, of course, to state and other broad regulation. Within this framework, the tasks of planning and budgeting are complex and revolve around and depend upon communications and coordination. Through openness and team work institutional priorities are set to reflect and mold the objectives and strategies of the colleges and other service units. In this type of setting, then, the use of these compliance cost data is relegated to an information mode.

In such a mode, the data may be displayed to highlight the extreme variations in cost by college and by department within college. Such displays along with descriptive narrative and suggestions, would be reviewed by the executive management team. If appropriate, the information would be passed on to the college deans along with questions and concerns expressed by the executive management team. The ultimate result of the process could be: no action as variations can be explained by disciplines and the job market or the recognition of a need to improve departmental and college planning and budgeting.

If the former result should occur the exercise will have been healthy for it will have provoked serious thought and communications. If the latter result were to occur, budgetary accommodation could be made at either the university or college level. In the long run, the compliance processes in each college could be influenced by continued monitoring and discussion. Ultimately improvements in efficiency and effectiveness could be realized as information

is shared and utilized. Not only can one attempt to further uncover the hidden federal infringements on the budgets, but realizing that relief is distant at very best, one can attempt to reduce their budgetary impact in these times of fiscal distress.

In summary, this study revealed compliance costs in one institution during one year of operation. Generalization from the results cannot be done with confidence unless other studies are attempted and confirm the findings. Studies providing longitudinal and single year analyses at other types and sizes of institutions are required to validate the potentially major impact of compliance costs upon higher education.

The compilation and analysis of data in this study revealed identifiable direct and indirect expenditures of approximately one-half million dollars (\$494,425). While this figure represented less than one percent of the university budget, its magnitude was of sufficient size to warrant concern. If one were to assume that other federally mandated social programs (such as the Social Security Act, retirement and unemployment compensation acts, Occupational Safety and Health Act, etc.) had similar impacts upon an institution's budget, much of the "depression" in higher education might be explained. In fact, when readily available budget data for these federal programs were added to the original study total, compliance costs accounted for over five percent of the University's annual instructional budget. Therefore, it is possible to surmise that as cries for accountability, efficiency, and effectiveness resound among national leaders, the crux of the problem of rapidly increasing educational budgets may lie in the hidden costs of the legislation these same leaders support with philosophical fury and practical blinders.

Table 1

Affirmative Action/Equal Employment Opportunity Compliance Costs
at One Research University in 1977-78

<u>Cost Category</u>	<u>Costs by Location</u>		
	<u>Colleges</u>	<u>Central Administration</u>	<u>Total</u>
Personnel	<u>\$427,175</u>	<u>\$28,770</u>	<u>\$455,945</u>
Faculty	390,076	85	390,161
Administration	12,305	25,710	38,015
Clerical	24,794	2,975	27,769
Operating	<u>31,785</u>	<u>7,120</u>	<u>38,905</u>
Advertising	11,066	624	11,690
Duplicating	3,518	391	3,899
Equipment	1,851	69	1,920
Furnishings	1,394	256	1,650
Insurance and Utilities	3,700	329	4,029
Office Supplies	1,706	795	2,501
Personnel Development	1,000	450	1,450
Postage	3,223	475	3,698
Telephone	1,827	232	2,059
Travel	2,500	3,499	5,999
Capital Replacement	<u>2,465</u>	<u>225</u>	<u>2,690</u>
Total	<u>\$461,425</u>	<u>\$36,115</u>	<u>\$497,540</u>

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